

Message Text

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ACTION EB-07

INFO OCT-01 EA-07 IO-10 ISO-00 AGR-05 CEA-01 CIAE-00

COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 FEA-01

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 931

INFO USDEL MTN GENEVA

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E.O. 11652: N/A

TAGS: ETRD, MTN, RP

SUBJECT: MTN: TROPICAL PRODUCTS NEGOTIATIONS

REF: 75 STATE 287116

1. PHILIPPINE MEASURES TO REDUCE IMPORT DEMAND HAVE MASKED INDIVIDUAL TRADE RESTRICTIONS THAT MIGHT OTHERWISE BE NEGOTIABLE WITHIN CONTEXT SET FORTH REFTEL.

2. ALL PHILIPPINE IMPORTS ARE CLASSIFIED BY TYPE (PRODUCERS GOODS OR CONSUMERS GOODS) AND BY ESSENTIALITY. CENTRAL BANK, AS A BALANCE-OF-PAYMENTS MEASURE WHICH HAS BEEN SANCTIONED BY IMF, WILL NOT ALLOW OPENING OF L/C'S FOR GOODS IN THOSE OF THE CATEGORIES CONSIDERED TO BE NON-ESSENTIAL. BANNED IMPORTS INCLUDE MOST CONSUMER GOODS AND THOSE PRODUCER GOODS WHICH CENTRAL BANK HAS CLASSIFIED AS BEING PRODUCED LOCALLY IN ADEQUATE QUANTITY AT A REASONABLE PRICE. ALL OTHER GOODS ARE BY DEFINITION DEEMED ESSENTIAL TO ECONOMY, SO THAT THEIR IMPORT IS

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NOT DISCOURAGED, ALTHOUGH AVERAGE DUTY LEVELS ARE HIGH.

3. PHILIPPINE SINCE INDEPENDENCE HAS TYPICALLY UTILIZED SUCH IMPORT-RESTRICTING MEASURES IN PREFERENCE TO DEVALUATION. WHILE OVERVALUED EXCHANGE RATE HAS IMPOSED ECONOMIC COSTS, RHETORIC THAT NON-ESSENTIAL IMPORTS ARE BEING BANNED TO ENHANCE ECONOMIC DEVELOPMENT AND FURTHER WELL-BEING OF MASSES HAS SUCH GLAMOUR THAT ECONOMIC ARGUMENTS TO THE CONTRARY MAKE LITTLE HEADWAY. PHILIP-PINES UTILIZES BANNED LIST IN CONJUNCTION WITH OTHER IMPORT-DAMPENING MEASURES, SUCH AS ADVANCE IMPORT DEPOSIT REQUIREMENT AND \$50,000 PER MONTH PER COMPANY LIMITATION ON L/C OPENINGS.

4. WHILE COMPOSITION OF LEGAL PHILIPPINE IMPORTS IS SHIFTED AWAY FROM CONSUMER GOODS BY BANNED LIST, U.S. SHARE OF MARKET PROBABLY NOT SIGNIFICANTLY ALTERED. BLACK MARKETING FROM U.S. MILITARY BASES, WITH ITS ATTENDANT ILLS, IS PROBABLY MAIN ADVERSE EFFECT FOR U.S. OF IMPORT BAN. OVERVALUED EXCHANGE RATE MAKES ALL IMPORTS CHEAPER, INCLUDING THOSE IN BASE PX SYSTEM, AND WITH THIS ENHANCED INCENTIVE TO BLACK MARKET, "ENTRE-PRENEURES" HAVE ESTABLISHED AN EFFICIENT DISTRIBUTION SYSTEM WHICH ROUTINELY AND OPENLY SUPPLIES THE BETTER HOTELS AND STORES IN MANILA WITH BASE GOODS. SINCE NO DUTIES ARE PAID ON THESE GOODS, PHILIPPINES NOT ONLY EXPENDS FOREIGN EXCHANGE BUT IT ALSO FOREGOES THE REVENUE WHICH WOULD BE ACQUIRED IF IMPORT RESTRICTIONS WERE LIFTED AND PESO WERE ALLOWED TO FIND ITS OWN LEVEL.

5. EMBASSY HAS BEEN ABLE TO IDENTIFY ONLY ONE SIGNIFICANT IMPORT BARRIER WHOSE REMOVAL WOULD NOT INVOLVE THE MAJOR REVAMPING OF PHILIPPINE IMPORT POLICY THAT ELIMINATION OF BANNED LIST WOULD ENTAIL. BUSINESSMEN COMPLAIN REPEATEDLY THAT ISSUANCE OF PHILIPPINE CONSULAR INVOICES IS SLOW, CUMBERSOME, AND MUCH MORE TROUBLESOME THAN FOR NEIGHBORING ASIAN COUNTRIES. SHIPPING DELAYS ATTENDANT UPON CONSULAR INVOICE REQUIREMENT NECESSITATE LARGER INVENTORY LEVELS WITH ATTENDANT EXPENSE.

6. REGARDING INDIVIDUAL IMPORT ITEMS, WASHINGTON SHOULD
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BE AWARE THAT EMBASSY WAS RECENTLY APPROACHED BY FORMER U.S. EXPORTER OF REMNANTS TO PHILIPPINES. THERE WAS FORMERLY A SUBSTANTIAL TRADE IN REMNANTS AND THEIR IMPORT WAS BANNED OSTENSIBLY BECAUSE OF SMUGGLING BUT IN FACT PRIMARILY BECAUSE OF OPPOSITION FROM DOMESTIC INDUSTRY. AMERICAN EXPORTER EXPRESSED STRONGLY HELD FEELINGS THAT IF WE ARE BEING ACCOMMODATING TO PHILIP-PINES IN TERMS OF IMPORTS UNDER BILATERAL TEXTILE

AGREEMENT, WE SHOULD BE ENTITLED TO RECIPROCITY WITH
RESPECT U.S. EXORTS OF TEXTILE PRODUCTS TO PHILIP-
PINOS. WHILE THIS IS AN ATTRACTIVE ARGUMENT, TEXTILES
ARE ON BANNED LIST, AND TO OBTAIN FROM THEM TREATMENT
MORE FAVORABLE THAN FOR OTHER CONSUMER GOODS WOULD BE
NEXT TO IMPOSSIBLE.

7. MANILA'S A-308 OF NOVEMBER 3, 1975, DISCUSSES A
DISCRIMINATORY 100 PERCENT DUTY ON ACETATE TOW FOR
CIGARETTE FILTERS WHICH WILL FORCE OUT OF BUSINESS U.S.
FILTER COMPANY (FILTRONA) AND ELIMINATE U.S. EXPORTS
OF FILTER TOW TO PHILIPPINES. DECREE REDRESSING
SITUATION WAS REPORTEDLY SENT TO PRESIDENT MARCOS FOR
SIGNATURE OVER ONE MONTH AGO. IF DECREE IS NOT SIGNED
BY TIME OF NEGOTIATIONS, RESTORATION OF 10 PERCENT
DUTY TO ALL FILTER TOW IMPORTS WOULD APPEAR TO BE
APPROPRIATE QUID PRO QUO FOR U.S. TARIFF CONCESSIONS.

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